

"GOOD IDEAS, BAD THINKING

- The procedures for direct benefit transfers need working out" **S L Rao**

Direct benefit transfers are expected by the UPA to be a game changer, They are expected to largely eliminate leakage and theft of benefits. Identification of residents will be by the AADHAR number, and but there is yet no foolproof, non-discretionary way to identify all beneficiaries. The direct benefit transfer can take place only to identified beneficiaries. However, it will save from theft and waste by eliminating handling and distributing food grains, and other subsidized or free goods and services.

The benefits are to be transferred to bank accounts of beneficiaries. Households in many parts of India, especially rural India, do not have bank accounts and their habitats many times have no bank branches. Since a majority of intended beneficiaries do not have bank accounts, are not literate enough to open them and operate them, micro ATMs are intended to bring mini- bank branches to almost all villages and habitations. The UDI number with its biometrics will enable an account to be opened, and identify the account holder who is to benefit.

The problem of identifying beneficiaries still remains. It has to be decided by someone in government, usually at the lowest level, usually the tehsildars. This has allowed corruption and caste considerations to determine who will benefit, and many, who should have benefited, have lost out. For example, the national rural employment guarantee scheme requires each beneficiary to be given a job card on which the days' worked are entered. But job cards are not issued to many. Many do not know how to apply and many others are intimidated by upper caste village headmen. Identification of who is to benefit leaves large scope for touts and brokers to "arrange" matters if

they are compensated. Doubts have also been raised that AADHAR cards themselves make sometimes be fake.

The first national roll out of direct benefits transfers is of smaller items. LPG cylinders (for domestic cooking gas) have substantial subsidy element in the price, being sold well below cost to everyone. The new approach is to charge a much higher price-nearer cost-on supply, give the subsidy on a few cylinders per year, and not on all cylinders purchased. The subsidy amount will be transferred to the bank account of the eligible beneficiary.

Unlike food grains, kerosene, or other such subsidized items, domestic cooking gas cylinders are the easiest item on which direct benefits can be transferred. They have a much smaller customer reach than food grains or kerosene. Each customer can be precisely identified by the bank through his AADHAR number with its biometric details of the individual. Users are not among the bottom of the pyramid in income but higher up. They are more likely to be literate and many are likely to have bank accounts. The learning from LPG could be applied to other subsidized items that have to reach very many more beneficiaries.

The procedure as announced is complicated even for the relatively more affluent households who use gas and will be eligible for a refund of a stipulated subsidy amount. It requires production of the AADHAR card, the gas agency's references (if the applicant has gas, or if he is a new customer), an electricity bill, or other verification of address.

Many in india still do not have an AADHAR number. All the participants-the bank, gas retailer, and hence his oil company principal-want verification to assure that that the AADHAR number represents the correct person. Some individuals have found that the AADHAR number does not help if they have moved, say from Chennai to Delhi. The bank in an urban area can do the linking of the AAADHAR number and the corresponding bank account more easily. But it will

be more difficult for the Micro ATM in a village or the post offices which are expected in due course to offer micro banking services?

In Bangalore my bank had a form for me to fill, which included details about my customer account with the agency that supplies me with gas. The gas agency had two forms, neither of which was readily available. It required repeated visits before the forms were given. The gas agency also wanted photocopies of my (gas) customer book that had been issued by them, and a copy of my latest electricity bill.

The forms took me 20 minutes or so to fill. The gas agency in their customer book had only initials for my first names while the AADHAR card had the full expanded version. The gas agency (who had supplied me for over a decade) found this unacceptable. The electricity bill did not have my name, only my full address, the same as on the AADHAR card. It took repeated visits and argument before the agency accepted my forms. This was despite the agency knowing me, the address was the same on all the documents, and the initials in my name were the first letters in my given names.

What will happen to the semi-literate gas customer? How will he get the required photocopies? To whom will he turn if the name on the AADHAR card is not exactly as in the supporting documents asked for? How will the micro ATM bank branch deal with such complications?

The oil company and its gas agent must think carefully to minimize documentation. Records of regular LPG domestic consumers with them should preclude the additional forms. But on a much larger scale these problems and more will arise for food grain retailers under the public distribution system. A great deal of training of all these people who interact with the customers, is essential. It does not seem to have been planned.

When AADHAR was first announced it was to be a single stop solution for determining identity. It would do away with the need for

any other verification anywhere in India. A fresh bank account could be opened using the AADHAR number. The name and address would be as in the card. If you were an existing LPG customer, the agent could link the AADHAR to the agency's records by the surname and address.

The bank, should not have required any forms to be filled. In this age of computers it should have just entered the number as additional information into the customer records in the bank. If the account was to be a new one, forms would of course have to be filled. The bank, especially the micro ATMs, would have to train its handlers on how to speedily deal with, and assist each customer to fill the forms. Otherwise the lower bureaucracy will generate a new breed of touts who will do the job for a fee.

Think of how much complicated it will become when the micro ATM and other bank branches have to deal with reimbursement of subsidies on food grains, kerosene, etc. The number of customers will be many times larger. They will be far less sophisticated in their knowledge. The most they can do is bring their AADHAR and ration cards.

None of this resolves the issue of how to identify all the intended beneficiaries, and keep out those that should not benefit. It does not eliminate the need for touts, extra costs in getting forms filled, and in being identified as a beneficiary. AADHAR, the micro ATM, and direct transfer of benefits are great ideas, using technology to reach beneficiaries, and eliminate corruption. But technology must understand the human problems. This marriage of technology with human understanding does not seem to have been considered. We will save the waste and the corruption in handling, storing and distributing large quantities of subsidized products and services but not solve the problems of intended beneficiaries.

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